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Audits Division

PORT COMMISSION:

Concession Audit of
 the Pollack Group, Ltd., doing
 business as Nick's Lighthouse

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CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CONTROLLER
AUDITS DIVISION

Edward Harrington
Controller

April 23, 2002

Audit Number 01062

San Francisco Port Commission
Ferry Building, Suite 3100
San Francisco, CA 94111

President and Members:

The Controller's Audits Division presents its report concerning the concession audit of the Pollack Group, Ltd., doing business as Nick's Lighthouse. Nick's Lighthouse has a 66-year lease with the Port Commission (Port) of the City and County of San Francisco to operate a restaurant and crab stand on Port property.

Reporting Period: July 1, 1998, through June 30, 2001

Rent Paid: \$769,533

Results: Nick's Lighthouse correctly reported gross receipts of \$11,838,969 and correctly paid its rent to the Port.

Respectfully submitted,

Noriaki Hirasuna
Director



INTRODUCTION

BACKGROUND

The Pollack Group, Ltd., doing business as Nick's Lighthouse has a 66-year lease, which expires on April 30, 2036, with the Port Commission (Port) of the City and County of San Francisco to operate a restaurant and crab stand on Port property. The lease requires Nick's Lighthouse to pay to the Port the greater of a minimum monthly rent or a specified percentage of its monthly gross receipts. The Port specified a percentage rent of 6.5 percent of gross receipts from food and all items sold through the bar including outdoor crab stand sales. The percentage rent for all other uses is 8.5 percent. During the audit period, the minimum monthly rent ranged from \$1,503 to \$1,772.

SCOPE AND METHODOLOGY

The purpose of this audit was to determine if Nick's Lighthouse complied with the reporting and payment provisions of its lease with the Port. Our review covered the period from July 1, 1998, through June 30, 2001. To conduct the audit, we reviewed the applicable terms of the lease and the adequacy of Nick's Lighthouse's procedures for collecting, recording, summarizing, and reporting its gross receipts to the Port. To determine whether Nick's Lighthouse accurately reported its gross receipts to the Port, we compared its reported gross receipts to the gross receipts Nick's Lighthouse recorded in its monthly summary records for all months of the audit period. On a sample basis, we examined Nick's Lighthouse's monthly sales records, daily sales reports, cash register tapes, and bank deposit records. We also compared for selected quarters the gross receipts Nick's Lighthouse reported to the Port with the gross receipts Nick's Lighthouse reported to the California Board of Equalization.

AUDIT RESULTS

NICK'S LIGHTHOUSE CORRECTLY REPORTED ITS GROSS RECEIPTS AND CORRECTLY PAID ITS RENT

From July 1, 1998, through June 30, 2001, Nick's Lighthouse correctly reported \$11,838,969 in gross receipts and correctly paid rent of \$769,533 to the Port. The table below shows the reported gross receipts and rent paid to the Port.

TABLE

**Gross Receipts Reported and Rent Paid
July 1, 1998, Through June 30, 2001**

	Gross Receipts	Rent Paid
July 1, 1998, through June 30, 1999	\$3,526,777	\$229,241
July 1, 1999, through June 30, 2000	3,867,836	251,409
July 1, 2000, through June 30, 2001	4,444,356	288,883
Total	\$11,838,969	\$769,533

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Staff: Elisa Sullivan, Audit Manager
Sam Appiah

cc: Mayor
Board of Supervisors
Civil Grand Jury
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